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Message Text

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17
ACTION EB-11

INFO OCT-01 EA-11 ISO-00 L-03 COME-00 H-03 CIAE-00 INR-10

NSAE-00 RSC-01 OPIC-12 OMB-01 TAR-02 TRSE-00 SIL-01

LAB-06 STR-08 FTC-01 INT-08 SS-20 SPC-03 NSC-07

NSCE-00 SAJ-01 SCI-06 FEA-02 DRC-01 /119 W
---------- 047575
R 020750Z APR 74
FM USLO PEKING
TO SECSTATE WASHDC 1605
INFO AMCONSUL HONG KONG

UNCLAS PEKING 558

E.O. 11652: N/A
TAGS: EIND, EFIN, CH
SUBJECT: FOREIGN INVESTMENT CLIMATE IN PRC

REF: STATE 53993

SUMMARY: THE CHINESE GOVERNMENT DOES NOT PERMIT FOREIGN INVESTMENT IN THE PRC. END SUMMARY.

1. SINCE COMING TO POWER IN 1949, THE GOVERNMENT OF THE PRC HAS MAINTAINED A RIGID POLICY OF PROHIBITING ALL FOREIGN INVESTMENT ON CHINESE SOIL OR IN CHINESE ENTERPRISES. AFTER A CENTURY AND MORE OF HUMILIATION UNDER FOREIGN COLONIALIST ECONOMIC DOMINATION, CHINA'S COMMUNIST LEADERS SHOWED AN EARLY DETERMINATION TO RID THEIR COUNTRY OF FOREIGN CAPITALISTS AND ENTREPRENEURS. THIS WAS ACCOMPLISHED WITHIN A RELATIVELY FEW YEARS AFTER 1949, AND SINCE THEN NO FOREIGN CAPITALIST ENTERPRISES HAVE BEEN ALLOWED TO INVEST OR CONDUCT BUSINESS OPERATIONS IN THE PRC. PRESENT ECONOMIC POLICY IS AUTARCHIC AND STRESSES THE MAOIST DICTA OF "SELF-RELIANCE," AND "KEEPING THE INITIATIVE IN OUR OWN HANDS." IN SHORT, THERE IS NO INVESTMENT CLIMATE IN CHINA FOR US OR ANY OTHER FOREIGN CORPORATIONS.
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2. ONLY IN THE AREA OF OFFSHORE OIL EXPLORATION IS THERE CURRENT SPECULATION THAT THIS PRC POLICY MIGHT BE RELAXED, AT LEAST ENOUGH TO PERMIT LIMITED COOPERATION BETWEEN PRC AND FOREIGN ENTERPRISES. CHINA'S OFFSHORE RESERVES ARE UNPROVEN, BUT THOUGHT TO BE EXTENSIVE. OVER THE PAST EIGHTEEN MONTHS, THE PRC HAS SHOWN CONSIDERABLE INTEREST IN IMPORTING OIL EQUIPMENT AND TECHNOLOGY FROM FOREIGN SUPPLIERS, AND THIS HAS PROVIDED AN OPPORTUNITY FOR NUMEROUS VISITING OILMEN AND TRADE DELEGATIONS TO PROMOTE THE JOINT VENTURE CONCEPT AS A MEANS OF DEVELOPING CHINA'S OFFSHORE OIL.

3. TO DATE, CHINESE OFFICIALS FROM PREMIER CHOU EN-LAI ON DOWN HAVE REPLIED TO SUCH OVERTURES BY REITERATING CHINA'S POLICY OF SELF-RELIANCE AND CATEGORICALLY REJECTING THE POSSIBILITY OF JOINT VENTURE TYPE OPERATIONS. CHINA WILL CONTINUE TO DO THE WORK OF EXPLORATION AND DEVELOPMENT ON ITS OWN, THESE OFFICIALS SAY. NEVERTHELESS, SPECULATION PERSISTS OUTSIDE CHINA THAT THE LURE OF OFFSHORE OIL, AND THE COST AND DIFFICULTIES INVOLVED IN EXPLOITING IT, MAY ULTIMATELY LEAD THE PRC TO ACCEPT SOME FORM OF COOPERATIVE ENDEAVER WITH FOREIGN OIL FIRMS. IF SO, THIS COULD PROVIDE THE OPENING WEDGE FOR JOINT VENTURES IN OTHER FIELDS.

4. FOR THE MOMENT, HOWEVER, USLO SEES NO SIGN OF IMMINENT CHANGE IN CHINA'S ATTITUDE TOWARD FOREIGN INVESTMENT, AND ANY THOUGHT THAT THERE WILL BE SUCH A CHANGE REMAINS HEAVILY BASED ON SUPPOSITION AND SPECULATION.
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